

24 DEC 1952

Chief, EE

Chief of Mission, Frankfurt

Administrative

DTLINEN Audit Report

REFERENCES:

DIR 29221, SFRAN 9117

1. Attached is a copy of the DTLINEN Audit Report as submitted to []

2. The original of this report was forwarded to BOB, and copies have been forwarded to DCOM, ACOM, and the German Desk of German Mission Headquarters.

-cc EGQ-A-5812

[]

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AUDIT REPORT

At the request of the Chief of Base, DTRULER, an audit of the DTLINEN finances was undertaken. Arrangements were made for meetings in a safe house between the auditors, the bookkeeper for the overt activities and the chief of the covert activities of DTLINEN.

OVERT ACTIVITIES

The bookkeeper brought with him a multi-columned ledger-journal combination, which he stated was the entire bookkeeping system of the overt operation. This covered the period from 1 April 1952 through the present time (5 November 1952). This book was broken down into the following columns: Cash, Post Office Account, Bank Account, Receipts, Contributions from various peoples, Salaries, Heat, Light, Power, Rent and Cleaning, Office Supplies, Postage and Phone, Furniture, Auto Expense, Miscellaneous Costs, Social Expense - political prisoner (support, travel), Social Expense - refugees and miscellaneous aid (support and travel), Social Expense - miscellaneous, Social Expense - medicaments, Propaganda Cost - printing, Arrangement Costs, Propaganda Costs - payment for composition, Propaganda - travel.

The columns in this book were added and balanced across for June and October. These two months were chosen by the auditors for a test check basis and the DTLINEN people had no idea which months would be audited. October was chosen because, while the book was completely posted, it had not been consolidated into statements. June was selected because it seemed to be the largest month in transaction volume.

The auditors asked for the supporting receipts, and when they were supplied, checked them for accuracy and authenticity. Thus the flow of money was checked into the book, into receipted disbursements, into a breakdown of expense and into the final financial statement. A translated copy of the October Statement is attached (Schedule A).

The auditors were not able to verify cash on hand since the audit was conducted in a safe house, nor were they able to verify office equipment, automobiles or any other non-expendable equipment. According to financial statements and the cash book, very small balances remained at the close of books each month.

The receipts were all presented. Those covering rent, phone, light and similar overhead charges were apparently bona fide commercial receipts. Salary payments were supported by receipts signed by the various individuals. The auditors also saw the payroll summary cards maintained by the bookkeeper. They were not shown the receipts from the German Labor Office for taxes paid on the salaries. Receipts for aid to refugees were form receipts signed by various people; the auditors could not check the authenticity of these receipts. Printing costs were supported by form receipts with attached money order receipts. Receipts for medicaments were supported by two form receipts signed by a Dr. Wolfgang and other individuals. No breakdown as to what was purchased was given. Examples of the various expenses are:

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PROPAGANDA	- Distribution - newspapers	69.80 DM
"	- Composition - 100 articles	85.00 DM
"	- Membership Fee for Press Conference	20.00 DM
"	- Subscription to Diplomatic Bulletin	15.00 DM
RENT	- Office	360.00 DM
"	- Headquarters	550.00 DM
PROPAGANDA	- Printing 5,000 copies pamphlets	1,000.00 DM
"	- Wedding Present - Hansen & Wiemann	100.00 DM
"	- 1 magazine "OST EUROPA" 1952	7.30 DM
"	- Ost Newspapers	41.85 DM
PHONE		245.13 DM
PROPAGANDA	- 3 lectures by Hildebrandt	150.00 DM
"	- Posters for distribution in Bonn and Paris - Ratification of Peace Treaty - Defense of Europe	1,000.00 DM
MEDICAMENTS	- Only form receipts	2,000.00 DM
PROPAGANDA	- Printing charges by Hansa Druck	4,000.00 DM

When questioned by the auditors as to source of funds, the bookkeeper knew they received 31,500.00 DM from Ford Foundation, 5,000.00 DM from Berlin Senate, 3,500.00 DM from Thommen and some small contributions from individuals. Various larger sums were, as far as he knew, from Tillich or Biermann, other than that he knew nothing as to the source. He maintained a column in his book called group seven. In this column he entered, for tax purposes, salaries of the covert operation. Funds were advanced, by Tillich or Biermann to cover this expense.

The bookkeeper also maintained one additional column for a sub-base at Göttingen. This was charged for funds advanced and credited for funds accounted for. The base expenses were combined in the overall report.

We discovered bases were maintained at Friedberg, Göttingen, Giessen, and one other town, presumably where refugee centers are located, for counseling refugees. No evidence existed of any bases outside of Germany, and none in Germany other than those listed.

Attached is a copy of the overt budget estimate prepared by the head bookkeeper (Schedule B). Salaries are given in detail. It should be noted that the following bonuses are paid by the covert section in addition to the salaries shown under the overt section.

SECTION I

Tillich	300.00 DM
Newspaper Contact	150.00 DM
" "	100.00 DM
Driver	100.00 DM

SECTION II

Chief	200.00 DM
Department Head	150.00 DM

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SECTION III

Senate Member	100.00 DM
Chief	200.00 DM
Outside Contact	50.00 DM

SECTION IV

Chief	200.00 DM
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SECTION V

Chief	50.00 DM
Others	100.00 DM

SECTION VI

Chief	100.00 DM
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These bonuses are not reported to the German government for tax purposes.

It should be noted that the covert salaries were, until the first of October, included in the overt books in order to meet tax requirements. Beginning the first of October, however, the only record of these salaries will be on the covert books, with an entry on the overt books for the tax to be paid to the German Labor Office. It would appear that under close inspection by the German government a question would immediately arise as to where these salaries were paid and accounted for.

COVERT ACTIVITIES

The covert section book was divided into the following columns: (June and October costs are shown). (1) Cash, (2) Receipt of Cash, (3) Donations, (4) Salaries and bonuses (June 3,300.00, October 3,595.00), (5) Rents, repairs, packing paper, office supplies, cleaning, coal, electricity and water (June 1,071.17, October 1,751.07), (6) Furniture and Equipment (June - 0 -, October 1,533.45), (7) Postage and Phone (June 458.00, October 470.40), (8) Auto expenses - 3 cars in Berlin, 2 in West Germany (June 870.51, October 1,045.07), (9) Travel Costs, cigarettes, soap, etc. to contacts for distribution in five East German Landkreise, meetings, etc. (June 9,642.28, October 6,561.67), (10) Costs involved in escape from Berlin (June - 0 -, October 410.00), (11) Printing, purchasing balloons, propaganda mailing, etc. (June 4,430.37, October 2,885.05), (12) Payment for information (June 256.00, October 806.71), (13) Security costs - continual changing of offices (June 165.25, October - 0 -), (14) Salaries and operational expenses in connection with distributing propaganda in the two offices in West Germany (June 950.00, October 993.26).

An estimated cost of salaries for the covert section which heretofore appeared on a reimbursable basis on the overt section books is as follows:

SECTION VII

Chief - Biermann	600.00 DM
Secretary to Chief	352.00 DM

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Administrator (Harassing Section)	450.00 DM
Secretary	352.00 DM
Technician	300.00 DM
5 Land Kreis Chiefs (East Germany)	1,890.00 DM
1 Land Kries Chief (West Germany)	385.00 DM
3 Secretaries	<u>960.00 DM</u>
	5,289.00 DM

In addition to the bonuses previously referred to, as being paid to overt employees from covert funds, the following bonuses are paid from Covert funds and recorded on covert books:

SECTION VII

Chief	300.00 DM
To each of 13 other employees listed above	1,300.00 DM
To man who works as part-time balloon filler	100.00 DM
To man who works as part-time balloon filler	20.00 DM
To a secretary in the Office of Cultural Help	50.00 DM

One land chief also has a secretary who is paid hourly on a part-time basis.

Funds for DTLINEN are passed to Tillich by [] in exchange for a receipt for the entire amount; he, in turn, gives funds to DTLINEN covert group, and to the DTLINEN overt group (see Schedule C). In addition he transferred funds to cover the covert salaries listed on overt books. See Schedule D for total amount recorded as being received on the overt books and for amount of covert salaries.

Schedule E showing [] advances to Tillich should be compared with Schedule C. They agree in all cases except on the June figures where DTLINEN reports receipt of 30,852.50 DM while [] shows 31,000.00 being advanced. No record of the 147.50 was made, and in October DTLINEN records receipt of 25,200.00 DM while [] has advanced 31,000.00 DM, thus leaving 4,800.00 DM to be accounted for. It should be noted that the figures appearing in DTLINEN reports were not always exactly reflected in DTLINEN's books as is shown in Schedule F. The variation seems to arise through the fact that Tillich doesn't always pass the money in the same month he receives it. To insure absolute accuracy, he should record on the covert books immediately upon receipt from [] the total amount received. Subsequent transfers to the overt account should then be reflected on the covert books. By this method, no variations could exist.

The covert section has transferred to the overt section, in addition to reimbursable salaries as noted above, 53,570.87 DM during the period 1 May 1952 to 31 October 1952. Of this, 11,543.00 DM was for special work, and

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23,000.00 DM was for _____ purposes. This leaves 19,027.87 DM direct support of overt activities by covert funds, in addition to 1,800.00 DM bonus to overt employees monthly from covert funds.

To summarize, the accounts are, as a whole, well-kept and well documented. Any fraud would be minor, because the majority of the receipts appear bona fide. The accounts are audited monthly by a German lawyer. Funds provided by [] are being used in support of the overt activities. No overt funds are being diverted to covert activities. Ford Foundation funds are being spent approximately as follows: 11,000.00 DM direct humanitarian work, 3,000.00 direct support of a central card index file, 8,000.00 for salaries at employees directly engaged in counseling and assisting refugees, 2,500.00 DM for search services and the remaining 7,000.00 DM for general support and advertising. There appears to be a consistency in incurring and classifying expenses. They appear to have been properly shown in the financial statements as presented.

RECOMMENDATIONS:

1. We should be presented a monthly statement giving as much detail as Schedule A. This would be far superior to those submitted under EFB-A-241 and is currently being prepared by DTLINEN's bookkeeper for their own use.

2. An effort should be made to determine where the 4,800.00 DM in October 1952 and the 147.50 DM in June 1952 differences occurred. The 4,800.00 DM might be recorded in the November report.

3. The security problem involved in reporting covert salaries to the German Labor Office should be investigated.

4. An investigation of the overt books might well cause speculation concerning the source of funds stated to have been received from Tillich or Biermann but which are in reality covert funds from us. This security problem should be investigated.

5. The list of employees should be closely studied to make certain that unnecessary personnel are not being paid.

6. Funds given to Tillich should be recorded in total on the covert books as soon as he receives them. By recording subsequent transfers as they occur, a running balance can be kept. No unexplained differences could occur. This would not involve a security risk since these books are not available to the German authorities.

7. It is recommended that the group be requested to furnish a schedule of all non-expendable equipment. This schedule should list by item, date of acquisition, purchase price and present condition.

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DTLINENAccounting for the month of October 1952

	<u>Spent</u>	<u>Received</u>
A. Cash Balance on 1 October 1952		140.32 DM
B. Received:		
1. Ford Foundation	31,500.00 DM	
2. Berlin Senate	5,000.00	
3. Contributions from various sources	92.00	
4. Thomsen	3,500.00	
5. Other:		
Biermann	500.00	
"	1,500.00	
"	3,000.00	
"	200.00	
Goettingen	108.00	
Miscellaneous Contrib.	<u>426.90</u>	
	<u>5,735.70</u>	<u>45,827.70 DM</u>
Total		45,968.02 DM
Additional expense of Goettingen more than cash on hand, repaid in November.		<u>596.60 DM</u>
Total Funds Available		<u>46,564.62 DM</u>
C. Spent (paid out)		
1. Salaries		
a. Group 1 Leaders and Political Division	4,139.76	
b. Group 2 Personnel and Administration	3,037.92	
c. Group 3 Refugee Section	8,079.71	
d. Group 4 Ostland Police Consultants	1,497.36	
e. Group 5 Search Service	2,299.70	
f. Group 6 Control Card Files (Registry)	<u>2,656.04</u>	21,710.49 DM
(Note: see attachment A for list of personnel.)		
2. Overhead		
a. Rent	1,307.70	
b. Heating	50.00	
c. Light	471.06	
d. Cleaning	533.17	
e. Office Supplies	1,280.35	
f. Postage	426.79	

/g. Telephone

2.

	<u>Spent</u>	<u>Received</u>
g. Telephone	722.74 DM	
h. Office Furniture and Equipment	595.00	
i. Gasoline Cost	996.83	
k. Miscellaneous automobile expense	208.26	
l. Miscellaneous expenses	<u>422.55</u>	7,014.45 DM
3. Social Spending:		
a. Political Prisoners:		
(1) Support	3,944.00	
(2) Travel	<u>84.30</u>	4,028.30
b. Refugee and Misc. Help:		
(1) Support	3,205.80	
(2) Travel	<u>480.35</u>	3,686.15
c. Collaboration:		
(1) Support	2,968.43	
(2) Travel	<u>8.46</u>	2,976.89
d. Medicaments		800.00 DM
(This was paid in two sums to one Dr. Wolfgang (pseudo) who is to provide medicines, etc, to the needy in the East Zone.)		
4. Propaganda Costs (Publicity and Advertising):		
a. Printing costs	3,385.00	
b. Arrangement Costs	-----	
c. Fees for composing	2,116.85	
d. Travel Costs	<u>724.80</u>	6,226.65 DM
Total 1-4		<u>46,442.93</u> DM
Balance		<u>121.69</u> DM
E. Cash on Hand, end of October 1952		
Cash Balance	10.77 DM	
Past Bank Account	26.72	
Bank Account	<u>82.20</u>	
	<u>121.69</u> DM	

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Schedule B

DTLINEN

Estimated Costs

A. Salaries

I. Leaders and Political Division

1 Commercial Manager	600.00	DM
1 Press Representative	385.00	
1 Reporter	385.00	
1 Reporter for publicity in West Germany	600.00	
1 Business Representative in West Germany	450.00	
1 Dr. Hildebrant (now out)	600.00	
1 O. E. H. Becker (now out)	400.00	
1 Prof. Dr. Dr. Koehler	200.00	
4 Secretaries	1,282.00	
1 Driver	300.00	
	<u>5,202.00</u>	DM

II. Personnel and Administration

1 Manager (now out)	600.00	
1 Department Head	450.00	
1 Bookkeeper	350.00	
2 Clerks	468.20	
1 Telephone Operator	330.00	
1 Porter	300.00	
1 Driver and miscellaneous helper	300.00	
	<u>2,798.20</u>	DM

III. Refugees

1 Division Leader	400.00	
4 Main Business Managers	1,815.00	
6 Other Business Managers	2,225.00	
2 Secretaries	737.00	
8 Clerks	2,095.00	
1 Porter	330.00	
	<u>7,602.00</u>	DM

IV. Volks Polizei Consultants

1 Chief Business Manager	400.00	
1 Business Manager	385.00	
1 Secretary	350.00	
1 Clerk	308.00	
	<u>1,443.00</u>	DM

V. Social Division

1 Head Business Manager	368.50	
1 Business Manager	280.00	
5 Clerks	1,394.00	
1 Helpworker	200.00	
	<u>2,242.50</u>	DM

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SECURITY INFORMATION Central Card File

VI. Central Card File (Registry)

1 Head Business Manager	440.00	DM	
2 Business Managers	700.00		
6 Card Markers	1,425.00		
2 Helpers	400.00		<u>2,965.00</u>
			22,252.70 DM
Social Insurance, etc.			<u>2,247.30</u>
			<u>24,500.00</u> DM

B. Overhead

Rent	1,400.00	DM	
Heat	450.00		
Light	300.00		
Cleaning	450.00		
Office Supplies	1,500.00		
Postage	650.00		
Telephone	1,700.00		
Furniture and Equipment	450.00		
Gasoline	1,600.00		
Miscellaneous Automobile Repairs	500.00		
Miscellaneous Costs	100.00		<u>9,100.00</u>
			33,600.00 DM

C. Social Costs

Prisoners			
Refugees			
Medicines			11,000.00 DM

D. Publicity and Advertising

Printing and Arrangements	2,600.00		
Payments for Composing	2,000.00		
Travel Costs	800.00		<u>5,400.00</u>
			50,000.00 DM

Ost Conference

30,000.00
80,000.00 DM

/Expected Sources of Funds

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3.

Expected Sources of Funds:

Receipts (Donations)	31,000.00 DM
Ford Foundation	31,500.00
Thomsen	3,500.00
Senate Berlin	<u>5,000.00</u>
	<u>71,000.00 DM</u>

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Schedule 1.

Continued

1952

May	Received from Ford	DM	31,500.00	
1-31	" " CIC		3,500.00	
	" " Senate		5,000.00	
	" " Tillich		4,511.00	
	" " Coners		102.50	
	Salaries for Section VII			13,513.50

June	Received from Ford	DM	31,500.00	
1-30	" " CIC		3,500.00	
	" " Senate		5,010.00	
	" " Tillich		10,322.50	
	" " Coners		195.00	
	Salaries for Section VII			19,027.50

July	Received from Ford	DM	31,500.00	
1-31	" " CIC		3,500.00	
	" " Senate		5,000.00	
	" " Tillich		20,206.32	
	" " Coners		350.00	
	Salaries for Section VII			29,056.32

Aug.	Received from Ford	DM	31,500.00	
1-31	" " CIC		3,500.00	
	" " Senate		5,000.00	
	" " Tillich		12,000.00	
	" " Coners		211.15	
	Salaries for Section VII			19,711.15

Sept.	Received from Ford	DM	31,500.00	
1-30	" " CIC		3,500.00	
	" " Senate		5,000.00	
	" " Tillich		11,000.00	
	" " Coners		173.40	
	Refunded by Goettingen		257.00	
	Salaries for Section VII			19,916.40

Oct.	Received from Ford	DM	31,500.00	
1-31	" " CIC		3,500.00	
	" " Senate		5,000.00	
	" " Tillich		7,000.00	
	" " Coners		711.00	
	" " Tiersman		2,000.00	
	Salaries for Section VII			18,211.00

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EXPENSE ACCOUNT STATEMENT

<u>DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>BY</u>	<u>TOTAL</u>
May	Monthly Subsidy	31,000.00		
5-1	Tillich - Salary	800.00		
	Special Work	<u>11,813.00</u>		
	Total for May	<u>43,613.00</u>		43,613.00
June	Monthly Subsidy	31,000.00		
6-30	Tillich Salary	800.00		
	MEMORIAL FUNDS	<u>29,000.00</u>		
	Total for June	<u>91,800.00</u>		91,800.00
July	Monthly Subsidy	31,000.00		
7-31	Tillich Salary	800.00		
	MEMORIAL FUNDS	<u>3,000.00</u>		
	Total for July	<u>34,800.00</u>		34,800.00
Aug.	Monthly Subsidy	31,000.00		
8-31	Tillich Salary	800.00		
	Total for August	<u>31,800.00</u>		31,800.00
Sept.	Monthly Subsidy	31,000.00		
9-30	Tillich Salary	800.00		
	Total for September	<u>31,800.00</u>		31,800.00
Oct.	Monthly Subsidy	31,000.00		
10-31	Tillich Salary	800.00		
	Total for October	<u>31,800.00</u>		31,800.00
Total funds given by [] to ITU/USA				275,313.00
from May through October 1952.				<u><u>275,313.00</u></u>

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<u>1952</u>		<u>Covert Books</u>	<u>Covert Books</u>	<u>Over</u>	<u>Under</u>
May	Transferred to Stanshaus Covert Salaries	FM 12,242.00 <u>5,613.55</u>	DM 14,811.00		
		FM 17,955.55	DM 14,811.00		FM 1,144.55
June	Transferred to Stanshaus Covert Salaries	21,527.23 <u>6,514.92</u>	DM 18,322.50		
		FM 28,152.15	DM 18,322.50		DM 10,129.95
July	Transferred to Stanshaus Covert Salaries	5,202.85 <u>8,573.19</u>	DM 24,296.32		
		FM 13,776.00	DM 24,296.32	FM 10,520.32	
Aug.	Transferred to Stanshaus Covert Salaries	4,279.50 <u>6,730.50</u>	DM 12,060.00		
		FM 11,000.00	DM 12,060.00	DM 1,060.00	
Sept.	Transferred to Stanshaus Covert Salaries	4,508.22 <u>6,411.07</u>	DM 11,000.00		
		FM 11,000.00	DM 11,000.00		.00
Oct.	Transferred to Stanshaus	FM 5,200.00	DM 5,000.80		199.20
				DM 11,580.32	11,473.76
					106.56
				DM 11,580.32	11,580.32
	Unexplained Overage			DM 106.56	

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